

## Message Text

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70

ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

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FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 PA-02

PRS-01 /089 W

----- 028261

R 091640Z SEP 75

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 7939

UNCLAS MANAGUA 3516

EO 11652: NA

TAGS: EFIN NU

SUBJ: BALANCE OF PAYMENTS INFORMATION

REF: STATE 199613

1. WE HAVE BEEN ONLY PARTIALLY SUCCESSFUL IN OBTAINING BOP DATA FOR THE FIRST HALF OF 1975 FOR NICARAGUA. THE CENTRAL BANK DOES NOT MAINTAIN CURRENT DETAILS ON BOP TRANSACTIONS EXCEPT FOR THE TRADE BALANCE AND NET RESERVES. HOWEVER, AN ANNUAL FORECAST IS MADE AND SOME DETAILS ARE AVAILABLE ON OFFICIAL CAPITAL TRANSACTIONS. FROM THESE, AND SPOTTY INFORMATION FROM OTHER SOURCES, WE CAN PRESENT A ROUGH APPROXIMATION OF THE BOP PERFORMANCE. EMBASSY ESTIMATES ARE IN PARENTHESIS, OTHER FIGURES ARE FROM THE CENTRAL BANK.

2. BLANCE OF PAYMENTS IN US\$MISSIONS. JANUARY THROUGH JUNE 1975. EXPORTS FOB \$216.8, IMPORTS CIF \$257.1, BALANCE MINUS \$40.3, IMPORTS FOB (\$244.3), BALANCE GOODS ONLY (MINUS \$27.5), NET SERVICES (MINUS \$60.0) NET TRANSFERS (\$5.0). CURRENT ACCOUNT BALANCE (MINUS \$82.5). PRIVATE CAPITAL (\$20.0), OFFICIAL CAPITAL (\$85.0). ERRORS AND OMISSIONS (\$10.3). BALANCE \$32.8. INCREASE IN NET RESERVES \$32.8.

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3. FORECAST FOR 1975, SOURCE CENTRAL BANK, US\$MILLIONS.

EXPORTS FOB \$379.6, IMPORTS CIF \$518.2, BALANCE MINUS \$138.6, IMPORTS FOB \$486.3, BALANCE GOODS ONLY MINUS \$106.7, NET SERVICES MINUS \$144.9, NET TRANSFERS \$9.5. CURRENT ACCOUNT BALANCE MINUS \$212.1. PRIVATE CAPITAL \$33.5 COMPOSED OF DIRECT INVESTMENT \$13.8, LOAN DRAWDOWNS \$10.0, AMORTIZATION MINUS \$6.5, COMMERCIAL CREDIT AND OTHERS \$16.2. OFFICIAL CAPITAL \$166.5 COMPOSED OF LOAN DRAWDOWNS \$182.3, AMORTIZATION MINUS \$25.1, OTHER \$9.3. ERRORS AND OMISSIONS \$5.3. BALANCE MINUS \$6.8. DECREASE IN NET RESERVES \$6.8.

4. TRADITIONALLY, NICARAGUA HAS A LESS FAVORABLE BOP PERFORMANCE IN THE SECOND HALF DUE TO LARTE EXPORTS OF PRIMARY AGRICULTURAL PRODUCTS IN THE FIRST HALF.

5. TRADE ACCOUNT JANUARY TO JUNE 1975 IN \$USMILLIONS. SOURCE CENTRAL BANK. IMPORTS CIF \$257.1 COMPOSED OF NON-DURABLE CONSUMER GOODS \$37.2, DURABLE CONSUMER GOODS \$23.2, RAW MATERIALS AND INTERMEDIATE PRODUCTS \$123.8 (INCLUDING PETROLEUM AT \$29.4), CAPITAL GOODS FOR AGRICULTURE \$6.5, CAPITAL GOODS FOR INDUSTRY \$39.3, TRANSPORT EQUIPMENT \$11.1, CONSTRUCTION MATERIALS \$15.2, AND OTHERS \$0.7. EXPORTS FOB \$216.8 INCLUDING COTTON \$69.5, COFFEE \$28.4, SUGAR \$37.6, MEAT \$7.4, COTTON SEED \$2.7, BANANAS \$1.8, GOD \$1.9, AND OTHER \$67.5.

6. FOREIGN EXCHANGE RESERVES IN US\$THOUSANDS AS OF JULY 31, 1975. SOURCE CENTRAL BANK.

(A) GROSS RESERVES \$145,449. (1) CENTRAL BANK \$133,069 COMPOSED OF GOLD AND FOREIGN CURRENCY \$1,159, CURRENT ACCOUNT DEPOSITS \$6,587, TIME DEPOSITS \$64,941, SECURITIES \$46,500, SDR'S \$6,197, C.A. STABILIZATION FUND \$3,500, AND CA CLEARING HOUSE \$4,185. (II) COMMERCIAL BANKS \$12,380 COMPOSED OF CURRENCY \$883 AND DEPOSITS \$11,497. (B) OBLIGATIONS LESS THAN ONE YEAR \$75,425. (I) ENTRAL BANK \$37,409 COMPOSED OF DEPOSITS \$962, IMF \$18,861, CA STABILIZATION FUND \$13,381, CA CLEARING HOUSE \$3,121, AND OTHERS \$1,084. (II) COMMERCIAL BANKS (INCLUDING STATE BANCO NACIONAL AS MAJOR DEBTOR) \$38,016 COMPOSED OF DEPOSITS \$118, SHORT-TERM LOANS \$37,250 AND OTHERS \$648. (C) NET RESERVES \$70,024. (D) OTHER INTERNATIONAL UNCLASSIFIED

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ASSETS. (I) CENTRAL BANK \$20,210 COMPOSED OF CONTRIBUTIONS TO OTHER INTERNATIONAL AGENCIES \$18,666 AND OTHERS \$1,544. (E) OTHER INTERNATIONAL LIABILITIES. (I) CENTRAL BANK \$31,623 COMPOSED OF SDR'S \$10,788, OBLIGATIONS WITH OTHER INTERNATIONAL INSTITUTIONS \$7,047, DEBT TO FOREIGN BANKS \$13,373, AND OTHERS \$415. (II) COMMERCIAL BANKS \$62,624 COMPOSED OF LONG-TERM DEBT. (F) NET INTERNATIONAL ASSETS MINUS \$4,013. PLEASE SEE MANAGUA A-14 OF APRIL 10, 1975, A-52 OF JUNE 20,

1975, AND A-65 OF JULY 29, 1975 FOR PAST BOP AND RESERVE PERFORMANCE AND ANALYSIS. FOR DETAILED TRADE ANALYSIS SEE MANAGUA A-52 OF JUNE 20, 1975.

7. A PRINCIPAL FACTOR OF NICARAGUS'S BOP IN RECENT YEARS HAS BEEN COMMERCIAL BORROWING BY THE GON FROM OVERSEAS PRIVATE BANKS. TWO SUCH BORROWINGS HAVE OCCURRED IN 1975, ONE FOR \$30 MILLION IN FEBRUARY AND ANOTHER ALSO FOR \$30 MILLION IN JULY, AND WE ARE AWARE OF A SMALL \$5 MILLION LOAN BEING PRESENTLY NEGOTIATED. THUS WHILE BOP LOOKS GOOD FOR 1973, 1974, AND 1975, DEBT SERVICE RATIO IS RISING FAST, PARTICULARLY AS PRIVATE BANK LOANS USUALLY ARE FOR FIVE YEARS. THERE IS, HOWEVER, A VERY LARGE PIPELINE OF OFFICIAL CONCESSIONARY LOANS WHICH MAY MITIGATE PROBLEM IN FUTURE YEARS TO EXTENT THEY RESULT IN GREATER PRODUCTION AND EXPORTS ABOVE THEIR SERVICING COSTS. ANOTHER SHORT-TERM FACTOR IS VENEZUELAN OFFSET FINANCING OF OIL IMPORTS WHICH IN FIRST HALF 1975 WAS \$5.5 MILLION WITH ADDITIONAL \$5.6 MILLION RECEIVED IN JULY FOR SECOND QUARTER IMPORTS - YEAR'S TOTAL WILL APPROXIMATE \$20 MILLION INCLUDING FOURTH QUARTER FOR WHICH FINANCING WILL BE RECEIVED NEXT YEAR. UNLESS THIS FINANCING IS CONVERTED INTO LONG-TERM DEVELOPMENT LOANS, NOTES ARE PAYABLE AFTER SIX YEARS.

8. NICARAGUA MAINTAINS THAT IT SHOULD NOT BE EXCLUDED FROM SPECIAL PROGRAMS TO HELP POORER COUNTRIES SEVERLY AFFECTED BY OIL PRICES AND WILL PROBABLY SEEK ACCESS TO WHATEVER FACILITIES ARE DEVELOPED. ALSO, ECONOMIC SPOKESMEN, PARTICULARLY THE PRESIDENT OF THE CENTRAL BANK, ROBERTO INCER, HAVE LONG ADVOCATED IMPROVED COMPENSATORY FINANCING OF EXPORT EARNING DECLINES AND SHOULD STRONGLY FAVOR THE RECENT PROPOSALS IN THIS AREA. ALTHOUGH A SMALL ECONOMY, NICARAGUA HAS A SUFFICIENT VARIETY OF EXPORTS TO ESCAPE SEVERE BOP  
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EFFECTS OF COMMODITY PRICE DECLINES AND A CONTINUING EFFORT IS BEING MADE TO FURTHER DIVERSIFY TO AGRICULTURAL EXPORTS.  
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## Message Attributes

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